

How Important are Matching Frictions in The Labour Market? Experimental and Non-Experimental Evidence from a Large Indian Firm

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Abstract

This paper provides evidence of substantial matching frictions in the labor market in India. In particular, placement officers in vocational training institutes have very little information about the job preferences of candidates they are trying to place in jobs. In the first part of this study, we adopt several alternative methods to elicit genuine preferences of candidates over different types of jobs and show that placement officers have poor knowledge of these preferences. In the second part, we provide placement officers with this information and examine its impact on placement outcomes and employment. We find that placement officers come closer to efficiently matching candidates to job interviews. Based on estimating a structural model of job preferences, we argue that there are net welfare gains because of better matching, not just redistribution within the group of potential employees. Furthermore, this leads to substantial improvement in job choices made by the candidates and subsequent employment outcomes for three to six months after initial placement.

Speaker Profile

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